



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
FORMER GARRARD COUNTY SHERIFF**

Calendar Year 1998

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

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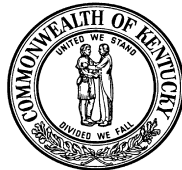
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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable E. J. Hasty, Garrard County Judge/Executive

Honorable Ronald G. Wardrip, Garrard County Sheriff

Honorable Buddy Rogers, Former Garrard County Sheriff

Members of the Garrard County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the former Sheriff of Garrard County, Kentucky for the year ended December 31, 1998. This financial statement is the responsibility of the former Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the former Sheriff prepared the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the former Sheriff for the year ended December 31, 1998, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable E. J. Hasty, Garrard County Judge/Executive
Honorable Ronald G. Wardrip, Garrard County Sheriff
Honorable Buddy Rogers, Former Garrard County Sheriff
Members of the Garrard County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following areas of noncompliance:

- The Former Sheriff Did Not Maintain Adequate Payroll Records
- The Former Sheriff Did Not Properly Withhold Taxes And Report Wages On W-2s
- The Former Sheriff Did Not Record And Deposit All Receipts

In accordance with Government Auditing Standards, we have also issued a report dated February 9, 2000, on our consideration of the former Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
February 9, 2000

GARRARD COUNTY
BUDDY ROGERS, FORMER SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1998

Receipts

State Grants:

Kentucky Law Enforcement Foundation			
Program Fund (KLEFPF)	\$	3,387	

State Fees For Services:

Finance and Administration Cabinet			6,241
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Circuit Court Clerk:

Sheriff Security Service	\$ 4,570		
Fines and Fees Collected	590		5,160

Fiscal Court			22,744
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County Clerk-Delinquent Taxes			2,269
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Commission On Taxes Collected			109,825
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Fees Collected For Services:

Auto Inspections	\$ 2,613		
Accident and Police Reports	600		
Carrying Concealed Deadly Weapon Permits	3,420		
Miscellaneous Income	1,642		
Serving Papers	10,480		18,755

Other:

School's Security Contract	\$ 6,400		
Advertising Fees	376		6,776

Interest Earned			3,717
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Borrowed Money:

State Advancement			44,100
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Gross Receipts (Carried Forward)	\$		222,974
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GARRARD COUNTY
 BUDDY ROGERS, FORMER SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 1998
 (Continued)

Gross Receipts (Brought Forward)	\$	222,974
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Disbursements

Operating Disbursements:

Personnel Services-

Deputies' Gross Salaries	\$	106,687
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Part-Time Gross Salaries		7,886
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Employee Benefits-

Employer's Share Retirement/KLEFPF		257
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Contracted Services-

Vehicle Maintenance and Repairs		3,648
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Kentucky Sheriff's Association Insurance		378
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Auto Expense-

Gasoline		6,512
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Other Charges-

Advertising Cost		376
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Carrying Concealed Deadly Weapon Permits		2,200
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Miscellaneous		3,180
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Debt Service:

State Advancement		<u>44,100</u>
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Total Disbursements		<u>175,224</u>
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Net Receipts	\$	47,750
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Less: Statutory Maximum		<u>48,726</u>
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Excess Fees Due County for Calendar Year 1998	\$	<u><u>0</u></u>
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The accompanying notes are an integral part of the financial statement.

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT

Calendar Year 1998

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

GARRARD COUNTY
 NOTES TO FINANCIAL STATEMENT
 Calendar Year 1998
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The former Sheriff maintained deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The former Sheriff met the requirements stated above, and as of December 31, 1998, deposits were fully insured or collateralized at a 100% level with securities held by the county official's agent in the county official's name.

Note 4. Fines and Forfeitures Account

During calendar year 1995, under terms stipulated by the United States Department of Justice and the Commonwealth of Kentucky, the Sheriff's office received proceeds emanated from the confiscation, surrender, or sale of real and personal property involved in related drug convictions. These proceeds may be used for operating expenditures of the Sheriff's office. The balance in this account as of December 31, 1997 was \$29,922. During the year, \$167 in interest was accumulated, and \$30,089 was expended, resulting in \$0 balance as of December 31, 1998. The funds were expended as follows:

Prisoner Transport Van	\$ 7,900
Office Equipment	8,057
Auto Expense	2,335
Garrard County Drug Task Force	5,000
Uniforms	1,047
Garrard County DARE Program	<u>5,750</u>
Total Expenditures	<u>\$ 30,089</u>

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT
Calendar Year 1998
(Continued)

Note 5. Garrard County DARE Program Account

The Garrard County Sheriff's office maintains the Garrard County DARE Program Account. The balance in this account as of January 1, 1998 was \$16. During the year, contributions totaling \$9,074 were deposited in the account. Disbursements of \$9,052 were made, which included salary payments to the Sheriff and three deputies totaling \$5,500. As of December 31, 1998, the balance was \$37. During 1999, the account was reimbursed \$1,600 from a COPS Universal Hiring Program for part of the salary payments distributed in 1998.

GARRARD COUNTY
BUDDY ROGERS, FORMER SHERIFF
COMMENTS AND RECOMMENDATIONS

Calendar Year 1998

STATE LAWS AND REGULATIONS:

1. The Former Sheriff Did Not Maintain Adequate Payroll Records

The former Sheriff did not adequately maintain payroll records for employees of the office. Under the provisions of KRS 337.320, every employer is required to keep a record of (a) the amount paid each pay period to each employee, (b) the hours worked each day and each week by each employee, and (c) such other information as required.

Management's Response:

Management concurred with auditors.

2. The Former Sheriff Did Not Properly Withhold Taxes And Report Wages On W-2s

During 1998, the former Sheriff and two of his deputies each received a \$1,300 salary payment from the Garrard County DARE Program bank account. In addition, another deputy received total wages of \$1,600 during 1998 from the Garrard County DARE Program bank account, which was reimbursed in 1999 under the COPS Universal Hiring Program. Withholdings were not made on these wages nor were the wages reported on 1998 W-2s. KRS 141.310 states every employer making payment of wages shall deduct and withhold upon wages paid. In addition, KRS 141.335 requires an employer to provide an annual withholding statement to each employee showing the total amount of wages paid. Since these wages were paid from the Garrard County DARE Program bank account, they are not reflected on the Statement of Receipts, Disbursements, and Excess Fees. All wages to the former Sheriff and employees of his office should have been made from the fee account and should have been considered in the maximum compensation set by the fiscal court in accordance with KRS 64.530 for the Sheriff's office.

Management's Response:

Management concurred with auditors.

3. The Former Sheriff Did Not Record And Deposit All Receipts

The former Sheriff did not deposit a return of fugitive claim of \$1,485 received from the state. This payment was part of fees of the Sheriff's office and should have been deposited as all other fees in accordance with Technical Audit Bulletin #93-002 issued by the Auditor of Public Accounts. We have adjusted the receipts ledger and financial statements to include this fee.

Management's Response:

Check was made payable directly to Transport Officer.

GARRARD COUNTY
BUDDY ROGERS, FORMER SHERIFF
COMMENTS AND RECOMMENDATIONS
Calendar Year 1998
(Continued)

INTERNAL CONTROL - REPORTABLE CONDITIONS:

None

INTERNAL CONTROL - MATERIAL WEAKNESSES:

None

PRIOR YEAR:

In the prior year, we reported the Sheriff did not maintain adequate payroll records. This finding has not been corrected and is reported as a current year finding.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable E. J. Hasty, Garrard County Judge/Executive
Honorable Ronald G. Wardrip, Garrard County Sheriff
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Members of the Garrard County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the former Garrard County Sheriff as of December 31, 1998, and have issued our report thereon dated February 9, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the former Garrard County Sheriff's financial statement as of December 31, 1998, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- The Former Sheriff Did Not Maintain Adequate Payroll Records
- The Former Sheriff Did Not Properly Withhold Taxes And Report Wages On W-2s
- The Former Sheriff Did Not Record And Deposit All Receipts

Honorable E. J. Hasty, County Judge/Executive
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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Garrard County Sheriff internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
February 9, 2000

